NiSource
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September 23, 2005

BY E-FILE AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-48

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find the responses of Bay State to the First Set of Information Requests issued by the Attorney General in this docket, on September 13, 2005. Please note that the list of requests submitted by the Attorney General skipped request AG 1-15; therefore, there is no response for AG 1-15.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: John J. Geary, Hearing Officer
Andreas Thanos, Assistant Director, Gas Division, DTE
Rebecca Hanson, Analyst, Gas Division, DTE
Elizabeth Jackson, Analyst, Gas Division, DTE
Joseph Rogers, Assistant Attorney General (4 copies)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-48

Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-1: Please provide the ownership share that Bay State (or any affiliate) holds in the Iroquois Pipeline. Provide the changes in Bay State's (and any affiliate) ownership from the date the Iroquois project was announced to the present day.

RESPONSE: Bay State has never held and does not currently hold an ownership share in Iroquois Gas Transmission.

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Witness Responsible: Francisco C. DaFonte

AG 1-2: Please provide the ownership share Bay State (or any affiliate) holds in the Portland Natural Gas Pipeline. Provide the changes in Bay State's (and any affiliate) ownership from the date the Portland Natural Gas Pipeline project was announced to the present day.

RESPONSE: Bay State and its affiliates do not currently hold any ownership interest in PNGTS. Initially, Bay State and its affiliates held a 29% ownership interest in PNGTS. In 1999, this ownership interest was reduced to 9.5% and ultimately sold in 2001.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-3: Please provide the ownership share Bay State (or any affiliate) holds in the Millennium Pipeline. Provide the changes in Bay State's (and any affiliate) ownership from the date the Millennium Pipeline project was announced to the present day.

RESPONSE: Bay State affiliates hold a 47.5% interest in Millennium and a 21% interest that is up for sale. The ownership interest has been 47.5% since the Millennium project was announced with the addition of the 21% interest that is now up for sale.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-4: Please provide a description of the Millennium Pipeline and a status report on its progress. Include the interconnection points and names of the interconnecting pipelines. Identify the Company's capacity entitlements on each connecting pipeline.

RESPONSE: Please see the Attachment AG 1-4 for a description of the Millennium Pipeline. Bay State holds approximately 96,000 Dth of capacity on Algonquin Gas Transmission, which interconnects with Millennium at Ramapo.

August 2, 2005

Consolidated Edison, KeySpan sign on as Millennium anchor shippers

Construction plan for first phase of major new pipeline filed with FERC

FAIRFAX, Va., August 2, 2005 – Major Northeast utilities Consolidated Edison and KeySpan will be anchor shippers on Phase 1 of the new Millennium natural gas pipeline, according to the project's certificate amendment filing submitted to the Federal Energy Regulatory Commission (FERC) Monday, Aug. 1, 2005.

Millennium's FERC filing included updated agreements with major energy companies that will use the pipeline to transport supplies of natural gas for their customers. New to the list is Consolidated Edison Inc., which has opted to purchase initially 150,000 dekatherms of natural gas transportation capacity per day on the pipeline, increasing to 180,000 dekatherms after the first year. Consolidated Edison, one of the nation's largest investor-owned energy companies, provides electric, gas and steam services to more than 3 million customers in New York City and Westchester County, N.Y. Con Edison also will use its portion of the Millennium pipeline capacity to serve Orange & Rockland Utilities, a Con Edison subsidiary.

Another major customer is KeySpan, which had previously announced it would purchase capacity. KeySpan, the largest distributor of natural gas in the Northeast with 2.6 million customers in New York, Massachusetts and New Hampshire, has committed to initially purchase 150,000 dekatherms of natural gas transportation capacity per day on Millennium, increasing to 200,000 dekatherms per day by the third year.

"We are very pleased to announce that the anchor shippers for Phase I of the Millennium pipeline will be two of the most prominent and respected energy utilities in the Northeast," said Dick Leehr, Millennium Pipeline president. "For these companies, and ultimately their customers, Millennium will offer access to new sources of natural gas supply, enhanced storage options and added delivery capacity."

Units of NiSource Inc., KeySpan Corporation and DTE Energy jointly sponsor the Millennium pipeline.

The project was granted a FERC certificate in 2002. In its Aug. 1 filing, Millennium requested authorization from the FERC to amend its existing certificate to construct the project in phases. The first phase will be a 182-mile section of pipeline from Corning, N.Y., to Ramapo, N.Y. The amendment filing also includes the addition of natural gas compression at the site of Columbia Gas Transmission's existing Corning Compressor Station located in Steuben County, N.Y. Other modifications to the previously certificated proposal include route variations in Chemung, Broome and Orange counties, N.Y., and a reduction in pipe diameter from 36 inches to 30 inches.

The total capacity of Millennium Phase I will be approximately 525,000 dekatherms per day. Columbia Gas Transmission will hold 50,000 dekatherms of capacity on Millennium, a portion of which will be used to serve customers of the company's existing A-5 pipeline, which will be replaced by Millennium.

The project is continuing discussions with other prospective shippers to confirm additional capacity commitments on the pipeline. Pending receipt of necessary approvals, Millennium expects to begin construction in mid-2006, targeting a November 1, 2007, in-service date.

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Witness Responsible: Francisco C. DaFonte

AG 1-5: Please confirm that Union Gas Ltd. is wholly owned by Duke Energy, the owners of the Algonquin Pipeline and pipeline and gathering systems in western Canada (Westcoast Energy).

RESPONSE: Union Gas Ltd. is a wholly owned subsidiary of Duke Energy.

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Witness Responsible: Francisco C. DaFonte

AG 1-6: Does the Company currently purchase, or expect to purchase gas supplies or transportation services from Duke Energy Canadian affiliates? If yes, please describe, in detail the purchases.

RESPONSE: Bay State does not currently purchase gas supplies or transportation services from Duke Energy Canadian affiliates but there is always the possibility that it could do so in the future.

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AG 1-7: Does the Company currently purchase and plan to expand its purchase, or expect to purchase transportation services from Iroquois Pipeline? If yes, please describe, in detail the purchases and how the plans are related to gas supply purchases at Dawn or Waddington.

RESPONSE: Bay State currently purchases firm transportation capacity on Iroquois Gas Transmission, which will tie in to the Union/TransCanada capacity that interconnects to Iroquois at Waddington. The Company does not anticipate purchasing incremental firm transportation capacity on Iroquois at this time.

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Witness Responsible: Francisco C. DaFonte

AG 1-8: Does the Company currently purchase and plan to expand its purchase, or expect to purchase transportation services from Portland Natural Gas Pipeline? If yes, please describe, in detail the purchases and how the plans are related to gas supply purchases at Dawn or Waddington.

RESPONSE: Bay State currently purchases firm transportation capacity on PNGTS. The Company does not anticipate purchasing incremental firm transportation capacity on PNGTS at this time.

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AG 1-9: Does the Company currently purchase and plan to expand its purchase, or expect to purchase transportation services from the Millennium Pipeline? If yes, please describe, in detail the purchases and how the plans are related to gas supply purchases at Dawn or Waddington.

RESPONSE: Bay State does not currently purchase and does not anticipate purchasing any firm transportation capacity on Millennium at this time.

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Witness Responsible: Francisco C. DaFonte

AG 1-10: Please provide copies of all Department orders approving contracts that include financial liabilities similar to those included in the proposed agreements.

RESPONSE: The Company is not aware of any such orders.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-11: What is the Company's contingency plan if the Union expansion is delayed or is not completed? Explain how the Company would recover costs associated with the Union project and the related TransCanada project, assuming the Union piece is not completed and the TransCanada piece is completed.

RESPONSE: Since Union has received the necessary approvals to construct its project, the Company expects that the project will be built. In the event of a delay, the Company would continue to buy its supplies at Waddington as it does today. The Company would expect to recover any costs associated with this project, as such costs are incurred, through its Cost of Gas Adjustment filings.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-12: What is the Company’s contingency plan if the TransCanada expansion is delayed or is not completed? Explain how the Company would recover costs associated with the TransCanada project and the related Union project, assuming the TransCanada piece is not completed and the Union piece is completed.

RESPONSE: The Company expects that the TransCanada project will receive its required approvals and will be built. Since TransCanada filed its application for approval with the NEB on September 16, 2005, it should receive an order within approximately 90 days. If the application is denied, the Company may terminate both the TransCanada and Union Agreements with limited financial exposure as set forth in the response to DTE 1-2. In the event of a delay, the Company would continue to buy its supplies at Waddington as it does today. The Company would expect to recover any costs associated with this project, as such costs are incurred, through its Cost of Gas Adjustment filings.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-13: As the result of purchasing gas at Dawn rather than at Waddington, will the Company have any stranded costs? If yes, please explain what costs will be stranded, what is the estimated annual cost to customers for these potential costs and what measures will the Company undertake to mitigate these costs?

RESPONSE: No. Please see the response to DTE 2-4(a).

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Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-14: Please describe the facilities that must be constructed and /or modified by Union and provide the most recent estimated cost and timeline for completion of the facilities.

RESPONSE: The proposed facilities will be constructed, owned and operated by Union. Construction is planned to commence in Spring 2006. The planned in-service date is November 1, 2006.

The proposed facilities consist of the construction of 18.2 kilometers of 48-inch pipeline in the Counties of Lambton and Middlesex in Ontario, Canada as well as 17.1 kilometers of 48-inch pipeline in the City of Hamilton and the Region of Halton also in Ontario, Canada. In addition to the construction of the two pipelines, Union will upgrade the existing Parkway compressor and install further compression at its Dawn compressor station. Union has indicated that the estimated cost of these facilities is C$150 million.

Union received regulatory approval from the Ontario Energy Board (OEB) for these 2006 facilities on July 6, 2005.

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-16: Please describe the facilities that must be constructed and /or modified by TransCanada and provide the most recent estimated cost and timeline for completion of the facilities.

RESPONSE: The proposed facilities will be constructed, owned and operated by TransCanada PipeLines (TCPL). Construction is planned to commence in Spring 2006. The planned in-service date is winter 2006.

The proposed facilities consist of the construction of two pipeline loops on the North Bay shortcut line in eastern Ontario. The first pipeline loop is near the town of Deux Rivieres, Ontario and consists of 18.1 kilometers of 42-inch pipeline. The second pipeline loop consists of 19.7 kilometers of 42-inch pipeline in the City of Stittsville, Ontario.

TCPL completed its public notification requirements this summer and submitted a complete facilities application to the National Energy Board (NEB) for these 2006 facilities on Friday, September 16, 2005.

Project Highlights:

Deux Rivieres Pipeline Loop:

- Approximately 18 kilometers of 42-inch diameter pipeline
- Projected cost estimated to be $49 million
- On-stream November 1, 2006

Stittsville Pipeline Loop:

- Approximately 19 kilometers of 42-inch diameter pipeline
- Projected cost estimated to be $50.3 million
- On-stream November 1, 2006

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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

AG 1-17: Please provide a status report regarding the progress to date of the Union and TransCanada project related efforts. Explain any changes from the original schedules and cost estimates.

RESPONSE: Based on current information provided by Union and TransCanada, the status of the projects is as follows:

Union

Union received its regulatory approvals ahead of schedule and is proceeding with its expansion project. Union has acquired the necessary right of way, ordered the pipe and the compressor. The original cost estimates remain in effect for the Union project.

TCPL

1. TCPL submitted its completed facilities application to the NEB on Friday, September 16, 2005.
2. Current project spending is not exceeding the estimated quarterly spending profile.
3. Project is currently on schedule to be ready-for-service November 1, 2006.

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AG 1-18: How will the proposed arrangements affect the Company's mandatory capacity assignment programs?

RESPONSE: The Company does not plan to include this capacity as part of its mandatory capacity assignment program unless requested by marketers. The existing path from Waddington to the Company's citygate will continue to be assigned to marketers as part of the mandatory assignment program. This path allows marketers to continue to purchase supplies at Waddington and avoids any company managed supplies that may be associated with the Union and TransCanada capacity.

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AG 1-19: If the Company has a capacity or asset manager, how will the proposed contracts be managed--as part of the portfolio managed by the capacity or asset manager or totally within the Company's control? If within the asset manager's control, did the Company consult with the asset manager prior to making the decision to go forward with this plan? If the Company did consult with the manager, provide copies of all communications between the Company (employees, affiliate employee, consultants or others representing the Company) and the asset manager regarding any changes to Canadian gas purchases and transportation.

RESPONSE: Bay State does not have a total portfolio asset manager.

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AG 1-20: Will the Company share with the asset manager any optimization savings related to the proposed supply arrangements? If yes, please describe the basis for any potential sharing. Will the total amount of the Company's share of these shared savings be passed on the customers or will the Company pass some or all of these savings on to shareholders? Please provide copies of the Department's approval of the proposed treatment of shared savings.

RESPONSE: Please see the response to AG 1-19.

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AG 1-21: Refer to Exhibit FCD-1. Is the Company is seeking Department approval of this agreement in this proceeding? If not, please explain why.

RESPONSE: No. Exhibit FCD-1 allows ANE to act as administrative agent for the ANE renewal group for the purpose of coordinating and monitoring the Union and TransCanada capacity projects on behalf of the LDCs in the ANE group. The Company will conduct a formal RFP process in the near future to establish a management services agreement with a third party capable of managing various aspects of the Union and TransCanada agreements. The Company will make a filing with the Department for approval of this future agreement.

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Witness Responsible: Francisco C. DaFonte

AG 1-22: Provide a schedule showing all fees that the Company will pay to ANE and provide copies of all agreements governing the fees.

RESPONSE: As stated in the response to AG 1-21, the specific arrangements governing the services that will be provided to Bay State related to the Union and TransCanada transportation contracts and any related supply agreements, will be the subject of a future RFP process.

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AG 1-23: Given that the contracts were entered into in February 2005, please explain why the Company did not file for approval of the contracts earlier than July 13, 2005.

RESPONSE: The Company intended to file for approval of the Union and TransCanada agreements much sooner but was delayed as a result of its rate case proceeding before the Department.

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AG 1-24: Please explain whether the Company, through its alliance with the ANE group, intends to increase its commodity purchases. If yes, please explain the strategy and how it is consistent with the Company's supply plan approved by the Department.

RESPONSE: The Company's future commodity purchases will be driven by its least cost planning methodology consistent with its most recently approved Forecast and Supply Plan. The ANE group provides the Company with economies of scale and it will take advantage of this benefit as needed to ensure a "best" cost commodity purchasing strategy for its customers.

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AG 1-25: Has the Company contemplated entering into any fixed price supply contracts? If yes, please provide all analyses that support the Company's decision to either pursue such arrangements or not.

RESPONSE: The Company has not entered into any fixed price supply contracts and will not do so until it has filed and received approval from the Department of a gas commodity purchasing program that would include this type of transaction.

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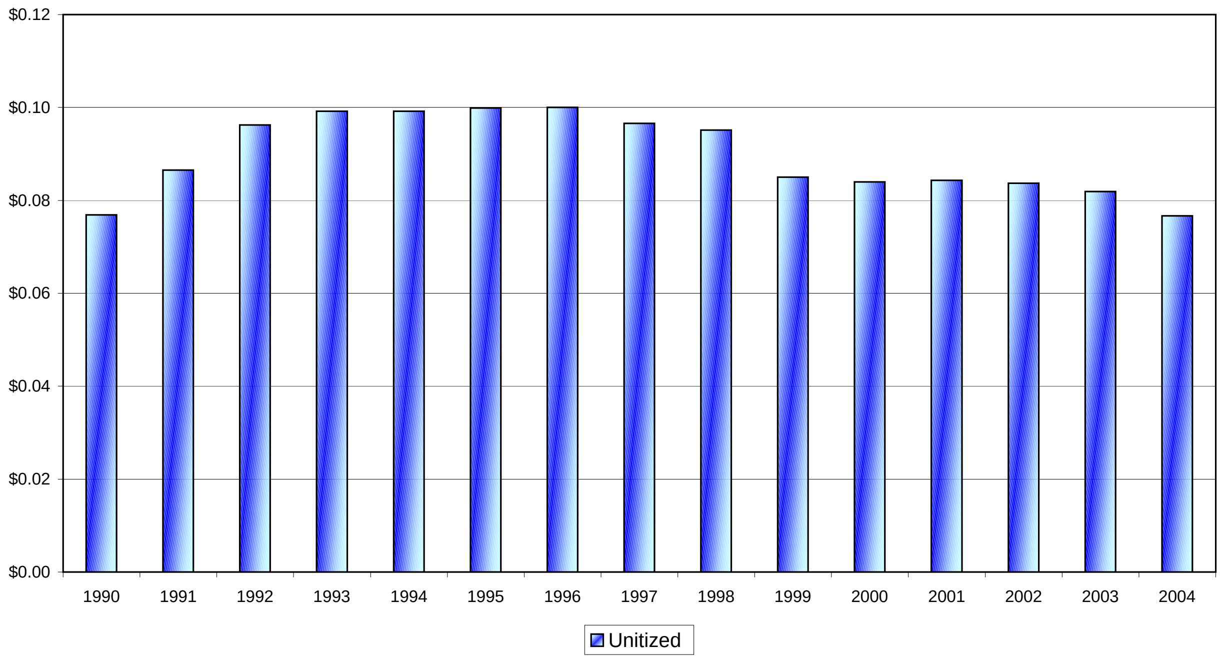
AG 1-26: Please explain the pricing provisions of the Union agreement. If the price is not fixed for the term on the contract, how frequently may the rates be changed and under what circumstances? Please provide a 10-year history of rate changes that similar contract shippers on Union facilities have experienced.

RESPONSE: The Union system is a regulated, pure cost of service pipeline meaning that the total annual costs are divided by the annual throughput to arrive at a unit rate. The costs undergo an annual review by the Ontario Energy Board (OEB).

Attachment AG1-26 shows the unit costs of shipping from Dawn to Parkway on the Union system for the last 15 years. As depicted, the unit cost has varied from a high of Cdn 10¢/GJ to a low of Cdn 7.67¢/GJ, which is the current rate.

Union Gas Historical M12 Tolls



Historical M12 Tolls on the Union Gas System

Year	Effective Date of Change	New M12 Rate Monthly Demand Charge ($/GJ/month)	Unitized Demand Rate (CDN$/GJ)
1990	1-Apr-90	$2.34	$0.08
1991	1-Apr-91	$2.63	$0.09
1992	1-Apr-92	$2.93	$0.10
1993	1-Apr-93	$3.02	$0.10
1994	1-Apr-94	$3.02	$0.10
1995	1-Apr-95	$3.04	$0.10
1996			$0.10
1997	1-Apr-97	$2.94	$0.10
1998	1-Jan-98	$2.89	$0.10
1999	1-Jan-99	$2.58	$0.09
2000	1-Jan-00	$2.55	$0.08
2001	1-Jan-01	$2.56	$0.08
2002	1-Jan-02	$2.55	$0.08
2003	1-Jan-03	$2.49	$0.08
2004	1-Jan-04	$2.33	$0.08

Source: Union Gas

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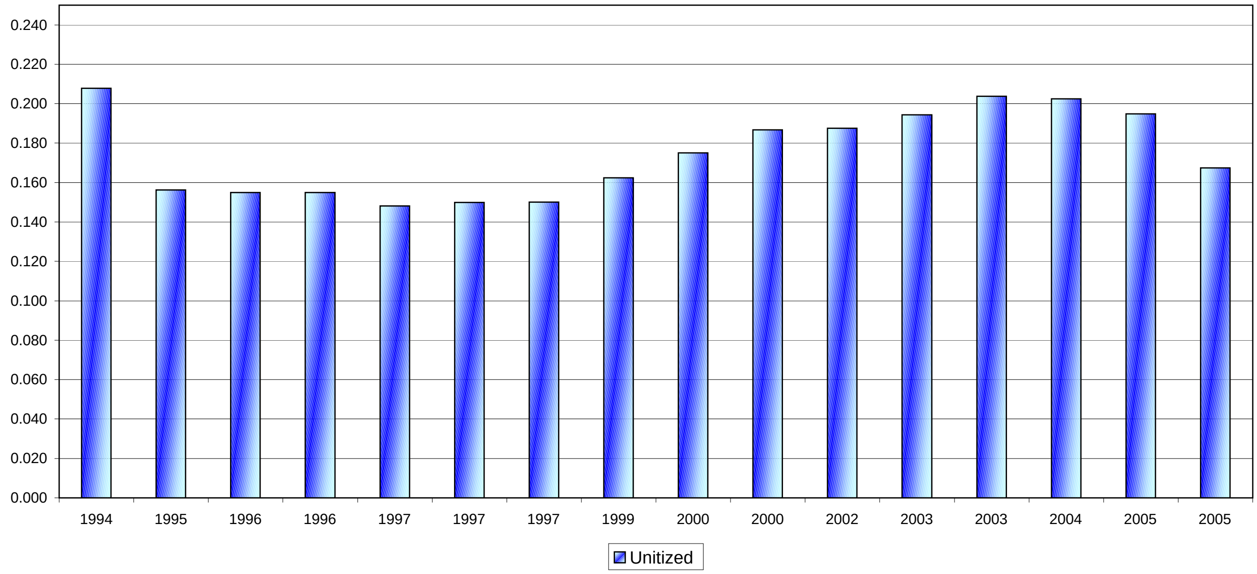
AG 1-27: Please explain the pricing provisions of the TransCanada agreement. If the price is not fixed for the term on the contract, how frequently may the rates be changed and under what circumstances? Please provide a 10-year history of rate changes that similar contract shippers on Union facilities have experienced.

RESPONSE: The TransCanada system is a regulated, pure cost of service pipeline meaning that the total annual costs are divided by the annual throughput to arrive at a unit rate. The costs undergo an annual review by the National Energy Board (NEB).

Attachment AG-1-27 shows the unit costs of shipping from Parkway to Waddington on the TransCanada system for the last 10 years. As depicted, the unit cost has varied from a high of Cdn 20.8¢/GJ to a low of Cdn 14.8¢/GJ. The current rate is 16.7¢/GJ.

TCPL Parkway to Waddington Historical Tolls



Historical Parkway to Waddington Tolls on the TransCanada System

Year	Effective Date of Change	Demand Charge ($ Cdn/10^3M^3)	Demand Charge (Cdn ¢/GJ)	Unitized Demand Rate (CDN$/GJ)
1994	1-Jul-94	$7.90	20.78	0.208
1995	Jan 1, 95 (proposed)	$5.94	15.62	0.156
1996	Jan 1, 96 (proposed)	$5.89	15.49	0.155
1996	Sept 1, 96 (final)	$5.89	15.49	0.155
1997	Apr 1, 97 (interim)	$5.63	14.81	0.148
1997	May 1, 97 (proposed)	$5.70	14.99	0.150
1997	Nov 1, 97 (proposed)	$5.70	15.00	0.150
1999	June 1, 99 (interim)		16.24	0.162
2000	Jan 1, 00 (final)		17.50	0.175
2000	May 1, 00 (interim)		18.67	0.187
2002	Sep 1, 02 (final)		18.75	0.188
2003	Jan 1, 03 (interim)		19.44	0.194
2003	Sept 1, 03 (interim)		20.38	0.204
2004	Jan 1, 04 (interim)		20.25	0.203
2005	Jan 1, 05 (interim)		19.49	0.195
2005	July 1, 05 (final)		16.74	0.167

Source: TransCanada Pipelines

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AG 1-28: Please describe what protection that Company and its customers have should there be significant cost over-runs on the projects.

RESPONSE: Both the Union and TransCanada systems are cost of service pipelines that are tolled on a “rolled-in” basis. The protection that the Company has is that any cost over-runs deemed to be prudently incurred by the NEB and/or the OEB will be absorbed by all of the shippers on the system, not just the new shippers associated with the expansion. Union has a shipper community of approximately 5 Bcf/d and TransCanada’s shipper community contracts for 7 Bcf/d.